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IN THE

Supreme Court of the United States

BIOMEDICAL PATENT MANAGEMENT CORPORATION,
Petitioner,
v.
CALIFORNIA DEPARTMENT OF HEALTH SERVICES,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICI CURIAE* CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA AND SOFTWARE & INFORMATION INDUSTRY ASSOCIATION IN SUPPORT OF PETITIONERS

ROBIN S. CONRAD
AMAR D. SARWAL
NATIONAL CHAMBER LITIGATION CENTER, INC.
1615 H Street, N.W.
Washington, D.C. 20062
(202) 463-5337

JEFFREY A. LAMKEN
Counsel of Record
MICHAEL G. PATTILLO, JR.
RACHEL M. MCKENZIE
BAKER BOTTS L.L.P.
1299 Pennsylvania Ave., NW
Washington, D.C. 20004-2400
(202) 639-7700

Counsel for Amici Curiae

WILSON-EPES PRINTING CO., INC. – (202) 789-0096 – WASHINGTON, D.C. 20002

QUESTIONS PRESENTED

1. Whether a State's waiver of Eleventh Amendment immunity in one action extends to a subsequent action involving the same parties and the same underlying transaction or occurrence.

2. Whether a State waives its Eleventh Amendment immunity in patent actions by regularly and voluntarily invoking federal jurisdiction to enforce its own patent rights.

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BRIEF OF *AMICI CURIAE* CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA AND SOFTWARE & INFORMATION INDUSTRY ASSOCIATION IN SUPPORT OF PETITIONER

INTEREST OF *AMICI CURIAE*

This case presents whether a state entity may invoke the jurisdiction of the federal courts to enforce its patents aggressively while simultaneously resisting, on sovereign immunity grounds, the authority of federal courts to enforce the rights of other intellectual property owners against it. That is an issue of grave concern to *amici*, whose members regularly confront state entities that adopt precisely that position.

The Chamber of Commerce of the United States of America (the "Chamber") is the world's largest business

federation.[1] The Chamber represents an underlying membership of more than three million companies and professional organizations of every size, in every industry sector, and from every region of the country. The Chamber represents the interests of its members in matters before Congress, the Executive Branch, and the courts. The Chamber regularly files *amicus* briefs in cases that, like this one, raise issues of vital concern to the Nation's business community.

The Software and Information Industry Association ("SIIA") is the principal trade association of the software and information industry, representing over 800 companies that develop software and digital content for business, educational, and entertainment purposes. Many of those companies look to the SIIA to protect their intellectual property rights. The SIIA not only initiates enforcement efforts on behalf of its members, but also offers a number of anti-piracy educational programs.

The Chamber's and SIIA's members hold numerous patents and copyrights. Those members sometimes are sued by the States for infringement, and are in regular negotiations for licensing and use of intellectual property, but find themselves unable to enforce their own rights fully and meanignfully against state entities, which invoke sovereign immunity. They have first-hand experience with the devastating impact that claims of sovereign immunity can have on licensing negotiations and other

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[1] Pursuant to this Court's Rule 37.6, *amici* affirm that no counsel for a party authored this brief in whole or in part, that no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief, and that no person other than *amici* and their counsel made such a monetary contribution. Pursuant to this Court's Rule 37.2, counsel of record for both petitioners and respondents were notified of the intent to file this brief and the parties' letters consenting to the filing of this brief have been filed with the Clerk's office.

efforts to enforce property rights. As a result, *amici* have both a unique perspective on the impact of the decision below and a keen interest in ensuring that the legal framework under which their members operate is rational, fair, and consistent.

REASONS FOR GRANTING THE PETITION

This case presents issues of tremendous importance to all owners of intellectual property. In the decision below, the Federal Circuit held that the doctrine of sovereign immunity prevented petitioner Biomedical Patent Management Corporation ("BPMC") from bringing suit against the California Department of Health Services ("CDHS") for patent infringement—even though CDHS itself had put the same infringement issues in dispute by intervening in a prior case against BPMC. Pet. App. 22a-23a. The Federal Circuit also summarily rejected BPMC's argument that the State of California's systematic invocation of the federal courts to enforce its own federal patent rights constituted a general waiver of sovereign immunity with respect to suits brought against it under the patent laws. *Id.* at 27a.

That ruling creates an obvious and inordinate imbalance. State institutions own myriad patents. In 2006, the University of California alone was awarded more patents than Pfizer, Merck, and SmithKline Beecham combined. Under the decision below, however, States and state entities can vigorously enforce such patent and intellectual property rights in federal court, at the same time rejecting federal court jurisdiction whenever others seek to enforce their intellectual property rights against the State. That imbalance pervades all aspects of intellectual property relationships between States and the private sector. In licensing negotiations, States and state entities do not merely play hardball because they know they cannot be sued; they, in light of sovereign immunity, will

sometimes even decline to negotiate for the right to use intellectual property they concededly are using.

Perhaps worse still, businesses that are concerned about being victims of a State's infringement suit cannot seek declaratory judgments to determine the legality of their conduct, because any such suit will be met with a claim of sovereign immunity. They thus are forced either to undertake the potentially infringing conduct and confront possibly ruinous liability, or steer well clear of the "zone" of the State's patent even if a claim of infringement (or the patent's validity) would be debatable. The *in terrorem* effect of even a marginal suit by the state entity—and the absence of any way to get a declaration of rights in advance—permits the State to assert an overly expansive construction of its patent to deter competition without fear of challenge.

Those consequences are neither a necessary nor an inevitable result of this Court's decision in *Florida Prepaid Postsecondary Education Expense Board* v. *College Savings Bank*, 527 U.S. 627, 647-648 (1999), and its companion decision, *College Savings Bank* v. *Florida Prepaid Postsecondary Education Expense Board*, 527 U.S. 666 (1999). It is now firmly established that, when a State invokes the jurisdiction of the federal courts in a particular lawsuit, it waives its sovereign immunity with respect to that lawsuit. See *Lapides* v. *Bd. of Regents of the Univ. Sys. of Ga.*, 535 U.S. 613, 619-620 (2002). By the same token, the State's repeated "voluntary invocation" of federal-court jurisdiction as part of a broad pattern of litigation conduct under the patent laws should effect a *general* waiver of sovereign immunity with respect to suits brought by other parties under those same laws. That permutation of the waiver issue is of singular importance because of its enormous impact on the balance between state and private intellectual property rights.

I. The Ability of States to Invoke and Reject Federal Jurisdiction Selectively Distorts and Undermines Our System of Intellectual Property

A. The Impact of This Case Extends Well Beyond The Effect on Lawsuits

The States are major participants in the patent system. State colleges and universities, in particular, spend enormous sums of money on research and development and, correspondingly, on the prosecution and enforcement of patents for their inventions. For example, the University of California alone spent $773 million on research and development in 2004. See, *e.g.*, U.S. Patent and Trademark Office, *U.S. Colleges and Universities Utility Patent Grants 1969-2005* tbl. 1.E. (2005), http://www.uspto.gov/web/offices/ac/ido/oeip/taf/univ/r_and_d/r_d_nsf_2005.htm. And in 2006, the University of California was granted 410 patents—more than Pfizer, Merck, and SmithKline Beecham combined. U.S. Patent and Trademark Office, *Patenting by Organizations 2006* B1-3-22 (2007), http://www.uspto.gov/web/offices/ac/ido/oeip/taf/topo_06.pdf. In the same year, the University of California earned over $100 million in revenue from licensing its patent portfolio, and collected another $100 million from settling a single patent infringement suit. University of California, *Technology Transfer Annual Report* 3 (2006), http://www.ucop.edu/ott/genresources/documents/OTTRptFY06.pdf.

In aggressively seeking to patent the results of their research and to generate revenue through licensing, state institutions increasingly have come into conflict with the private sector over ownership rights in intellectual property. As the petition explains, Pet. 4-5, States routinely enforce their intellectual property rights in federal court. The petition amply illustrates the inequity and imbalance that results when States can enforce their intellectual property rights in court, but can reject the

enforcement efforts of others on sovereign immunity grounds. See *id.* at 4-5, 22-24.

But to focus solely on infringement suits against the State grossly understates the problem (notwithstanding this Court's emphasis on that metric in *Florida Prepaid*). To the contrary, the vast majority of disputes never escalate to litigation, even when the abuses are egregious.[2] To offer one example, the unavailability of money damages gives state entities the power to "bully" private entities in negotiations for licenses—even when the state entity concedes it is using the property illegally. As Senator Patrick Leahy noted in congressional hearings on this issue:

> [T]he State has all the leverage [in licensing negotiations]. * * * [T]hey could say, "If you are licensing * * * this intellectual property to a corporation at $5 per * * * unit, well, you can license it with us, but it would be $1 per unit." * * * [I]f they have sovereign immunity, there is not much that the intellectual property owner could do about that * * * .

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[2] When the U.S. General Accounting Office ("GAO") issued a report on the matter in 2001, it acknowledged the difficulties in trying to quantify the problem of state infringement. After analyzing published cases and surveying state attorneys general and institutions of higher education, it purported to have identified "few" lawsuits—58 in total—filed since January 1985 that alleged infringement of intellectual property by state entities. U.S. Gen. Accounting Office, *Intellectual Property: State Immunity in Infringement Actions* 7 (2001) [hereinafter "*GAO Immunity Report*"]. The GAO noted, however, that it had "no assurance that we had identified all the accusations of infringement or unauthorized use of intellectual property made against the states." *Id.* at 9. The GAO's methodology, moreover, seriously understates the magnitude of the problem. See *Sovereign Immunity and the Protection of Intellectual Property: Hearing Before the Senate Comm. on the Judiciary*, 107th Cong., 2d Sess. 54-55 (2002) (statement of Prof. Paul Bender).

Sovereign Immunity and the Protection of Intellectual Property: Hearing Before the Senate Comm. on the Judiciary, 107th Cong., 2d Sess. 18 (2002) [hereinafter *2002 Senate Immunity Hearing*]. Even setting aside the notion that state entities are "sitting around looking for ways to become intellectual property pirates," it cannot be disputed that "the sheer uncertainty of the remedies available now for intellectual property owners creates a skewed environment." *Ibid.* (testimony of James E. Rogan, Undersecretary of Commerce for Intellectual Property; Director, U.S. Patent & Trademark Office).

The real-world experience of *amici*'s members bears that out. For example, a few years ago, SIIA was alerted that hundreds of computer software programs were being pirated on computers owned by a hospital in Baltimore, Maryland. *2002 Senate Immunity Hearing* 92 (letter submission for the record by SIIA). SIIA audited the hospital's computers and discovered thousands of dollars worth of unlicensed software. *Ibid.* The hospital acknowledged its use of unlicensed software and spent more than a year attempting to work out a settlement with SIIA. *Ibid.* That settlement would have involved the payment of a sum between $250,000 and $750,000 by the hospital, as well the hospital's agreement to license all of the software it was using. *Ibid.* Despite the fact that the hospital had all but admitted wrongdoing and had been prepared to pay hundreds of thousands of dollars in damages for its actions, the hospital later sent a letter to SIIA referencing *Florida Prepaid* and asserting its sovereign immunity. The hospital refused to pay any monetary damages and did not offer to acquire licenses for the software going forward. *Ibid.*

In another instance, SIIA discovered that a state entity in New Hampshire had pirated software. Rather than negotiate a solution, that entity threatened legal sanctions *against the SIIA* if it attempted either to enjoin

further infringement or to seek monetary damages for past infringement. *2002 Senate Immunity Hearing* 92.

Other examples of States leveraging their sovereign immunity in negotiations—and refusing to make any payment for the use of intellectual property rights—abound. See *id.* at 29-31 (statement of Keith Shraad, Western Regional Director, National Information Consortium) (describing inequitable conduct by the State of Georgia in licensing dispute); David Wolman & Heather Wax, *Putting the Squeeze on State Immunity*, Technology Review, Aug. 21, 2002, http://www.technologyreview.com/Biztech/12921 (describing refusal of state entity even to discuss State's infringement of patent with inventor).

B. The Decision Below Deters Innovation by Impairing the Declaratory Judgment Procedure

The impact of the Federal Circuit's decision in this case, moreover, extends well beyond cases involving the State's unlicensed use of the intellectual property of others. It also has a devastating impact on the use of declaratory judgment actions. Such actions—whether they seek a decree of non-infringement or invalidity—are critical because they allow businesses to determine the scope of intellectual property rights without risking the enormous liability that an infringement verdict can produce. The decision below, however, makes it impossible to use declaratory judgments to determine the scope of intellectual property rights held by even the most litigious state entity, escalating the deterrent, *in terrorem* effect of even weak patent claims held by the State.

The Eleventh Amendment is concerned primarily with "suits for money damages against the State." *Lapides*, 535 U.S. at 620. Yet the Federal Circuit has concluded that, if the State has not waived sovereign immunity, it is also immune from declaratory judgment actions. See *Tegic Commc'ns Corp.* v. *Bd. of Regents of the Univ. of*

Tex. Sys., 458 F.3d 1335, 1337-1338 (Fed. Cir. 2006). As a result, private entities are not merely precluded from challenging state infringement. They are also precluded from seeking a preemptive declaration that their own proposed products *do not infringe* a patent held by the *State* (or that the *State's* patent is invalid). The decision below denies that option precisely where such a ruling is needed most—where the State has a history of aggressively enforcing its intellectual property rights by suing alleged infringers in federal court.

The impact of that extension is difficult to overstate. The declaratory judgment procedure is critical in patent and copyright litigation because it allows businesses to establish the lawfulness of their conduct—and structure their affairs accordingly—without subjecting themselves to an infringement action. Recognizing as much, this Court recently reaffirmed that a licensee may bring suit under the Declaratory Judgment Act to test the validity of a patent, and that it need not breach the license and wait for the patent holder to file an infringement action. See *Medimmune, Inc.* v. *Genentech, Inc.*, __ U.S. __, 127 S. Ct. 764, 773 (2007).

The need for parties to be able to bring declaratory judgment actions is particularly acute in the patent context because, by statute, "[a] patent shall be presumed valid." 35 U.S.C. § 282. That presumption of validity raises the specter of "scarecrow" patents, see *Bresnick* v. *U.S. Vitamin Corp.*, 139 F.2d 239, 242 (2d Cir. 1943), which the patent holder may threaten to enforce to exact licensing agreements on favorable terms even where the validity of the patent is questionable. Judge Markey has described the situation as a "*danse macabre*" in which the patent holder "brandish[es] a Damoclean threat with a sheathed sword." *Arrowhead Indus. Water, Inc.* v. *Ecolochem, Inc.*, 846 F.2d 731, 734-735 (Fed. Cir. 1988). Absent the ability to bring a declaratory judgment action

to challenge the patent's validity or to otherwise establish non-infringement, the "competitors victimized by that tactic [are] rendered helpless and immobile" unless and until the patent holder brings suit. *Id.* at 735. Only the availability of a declaratory judgment can relieve alleged infringers of the "*in terrorem* choice between the incurrence of a growing potential liability for patent infringement and abandonment of their enterprises." *Ibid.*

The Federal Circuit's rule that States are insulated from declaratory judgment actions as well as actions for money damages, *Tegic*, 458 F.3d at 1337-1338, by itself creates gross inequities: It permits a State to initiate the "*danse macabre*" with private entities, exploiting the *in terrorem* effect of a threatened damages suit to exact licensing agreements from private parties, secure in the knowledge that those parties cannot challenge the validity of the State's patent by seeking a declaratory decree.[3] But the decision in this case—by refusing to deem immunity waived even where the State regularly avails itself of the federal courts to enforce its own patents—exacerbates the result dramatically.

The impact is enormous because both the *in terrorem* value of a patent and the corresponding need for declaratory decrees are largely dependent on the likelihood that the State actually will bring suit to enforce it. Where a State has not shown a willingness to go to court to

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[3] Immunity from declaratory judgment actions also feeds a vicious circle. If a state university does not have to worry about legal challenges to the validity of its patents, it has an incentive "to stretch the limits of patent by seeking excessively broad patents over basic research results," which it can then use to extract more licenses from more private entities. Robert G. Bone, *From Property to Contract: The Eleventh Amendment and University-Private Sector Intellectual Property Relationships*, 33 Loy. L.A. L. Rev. 1467, 1509 (2000).

enforce its patents, a private entity likely will not be cowed by the State's threats or significantly constrained in the further research, development, and marketing of its own technologies. But where, as here, a State has aggressively pursued suit in federal court to seek damages from alleged infringers, the need for declaratory relief is particularly acute.[4] Absent such relief, private companies are deterred from bringing their innovations to market for fear they will confront a potentially ruinous infringement suit. Even a relatively weak patent claim can deter new entry and innovation when the stakes are so high.

That result is not just unfair to the particular party foreclosed from the market. It is detrimental to society at large. As this Court has recognized, "[t]he far-reaching social and economic consequences of a patent * * * give the public a paramount interest in seeing that patent monopolies * * * are kept within their legitimate scope." *Precision Instrument Mfg. Co.* v. *Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945) It would undermine the integrity of the patent laws if the States were free to claim a federal property right in a patent on the one

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[4] It has been suggested that the doctrine of *Ex Parte Young*, 209 U.S. 123 (1908), may provide a means for a private entity to obtain relief against a State in disputes over intellectual property rights. See, *e.g.*, *Seminole Tribe of Fla.* v. *Florida*, 517 U.S. 44, 73 n.16 (1996); *College Savings Bank*, 527 U.S. at 704 (Breyer, J., dissenting). *Ex Parte Young*, however, "presents novel questions of applicability" where the entity is seeking a ruling that *its* product does *not* infringe the *State's* patent. *Genentech, Inc.* v. *Regents of the Univ. of Cal.*, 143 F.3d 1446, 1455 (Fed. Cir. 1998). For example, to proceed under *Ex Parte Young*, the complaint must allege "an ongoing violation of federal law." *Idaho* v. *Coeur d'Alene Tribe of Idaho*, 521 U.S. 261, 296 (1997). It is far from certain that a suit seeking a declaration of *non*-infringement could satisfy that standard.

hand, and yet able to resist all challenges to the scope or validity of that right on the other.

II. The Decision Below Upsets the Balance of the Patent Laws, Which Expressly Presume That the States Cannot Simultaneously Invoke and Deny the Availability of Federal Jurisdiction

The increased participation of state entities in the patent system is a direct result of Congress's efforts, in the late 1970s and early 1980s, to encourage universities to commercialize technology developed through federally funded research. When it made that decision, however, Congress believed that sovereign immunity did not apply under the patent laws, and that the States would be on equal footing with the private sector. The States' current ability to reap the benefits of the patent laws by aggressively enforcing their patents in federal court, while disclaiming jurisdiction when they infringe, destroys the balance and equity that Congress sought to achieve.

Much of the research and development conducted at academic institutions is funded by the federal government. Although the government was spending close to $30 billion per year on such research, before 1980, "the results of these efforts almost never found their way into the marketplace." *The Bayh-Dole Act, A Review of Patent Issues in Federally Funded Research: Hearing on Pub. L. 96-517 Before the Subcomm. on Patents, Copyrights, and Trademarks of the Senate Comm. on the Judiciary*, 103d Cong., 2d Sess. 13 (1994) (statement of Senator Birch Bayh) [hereinafter "*Bayh-Dole Act Hearing*"].

Congress determined that "this failure to move from abstract research into useful commercial innovation was largely a result of the government's patent policy," which "required that the government retain rights to any intellectual property arising from federally funded research."

Bayh-Dole Act Hearing 13. To "inject the incentive of the free market into this slumbering system," Congress passed the University and Small Business Patent Procedures Act, more commonly known as the Bayh-Dole Act, Pub. L. No. 96-517, 94 Stat. 3015 (1980), codified as amended at 35 U.S.C. §§ 200-212. *Bayh-Dole Act Hearing* 13 (statement of Senator Bayh). The Act, among other things, "permitted universities * * * to retain patent rights to inventions developed with the support of the Federal Government so that technology could be licensed to private companies and new products could be brought to the marketplace." *Ibid.*

The Bayh-Dole Act succeeded. It is often credited as the spark that led to universities' current status as major developers of intellectual property. See Rebecca S. Eisenberg, *Public Research and Private Development: Patents and Technology Transfer in Government-Sponsored Research*, 82 Va. L. Rev. 1663, 1722 (1996). Prior to Bayh-Dole, only 250 patents were issued each year to all domestic universities, public and private combined. See U.S. Gen. Accounting Office, *Biomedical Research: HHS Direction Needed to Address Financial Conflicts of Interest* 6 (2001). By contrast, by the end of 1999, public universities collectively owned 11,826 patents. *GAO Immunity Report* 42-43 app. II at tbl.3.

But when Congress prodded state universities to become active in the patent system, it did so with the belief that those institutions could not invoke federal law to enforce their patents while simultaneously denying federal power to enforce the patent laws against them. "[A]t the time Bayh-Dole was passed, it was believed that state instrumentalities were amenable to damage suits for violation of intellectual property on the same terms as private actors, so there was no awareness that [Congress was] entitling the state entities to be plaintiffs in damage suits for federally-protected intellectual property while

permitting them to avoid being defendants." *State Sovereign Immunity and Protection of Intellectual Property: Hearing Before the Subcomm. on Courts & Intellectual Prop. of the House Comm. on the Judiciary*, 106th Cong., 2d Sess. 10 (2000) (statement of Todd Dickinson, Undersecretary of Commerce for Intellectual Property; Director, USPTO). That understanding was based on decisions such as *Parden* v. *Terminal Railway of Alabama*, 377 U.S. 184, 196 (1964), which held that "when a State * * * enters into activities subject to congressional regulation, it subjects itself to that regulation as fully as if it were a private person or corporation." See also *Lemelson* v. *Ampex Corp.*, 372 F. Supp. 708, 711-713 (N.D.Ill. 1974) (holding on the basis of *Parden* that States could be sued for money damages under the Patent Act).

When later cases—notably this Court's decision in *Atascadero State Hospital* v. *Scanlon*, 473 U.S. 234 (1985), and the Federal Circuit's decision in *Chew* v. *California*, 893 F.2d 331 (Fed. Cir. 1990)—indicated that the patent laws did not contain a sufficiently clear statement of intent to abrogate the States' sovereign immunity, Congress reacted swiftly by enacting the Patent and Plant Variety Protection Remedy Clarification Act ("Patent Remedy Act"), Pub. L. 102-560, 106 Stat. 4230 (1992). The express purpose of that Act was to "clarify that States * * * are subject to suit in Federal court by any person for infringement of patents." *Ibid.*

Supporting that clarification, the Department of Commerce emphasized that "[a] major purpose of the patent system is to encourage innovation, and to provide inventors with the ability to recover investment costs and derive a reasonable profit from their inventions. The immunity of States from suit in federal court flies in the face of these important public policies." *Patent Remedy Clarification Act: Hearing on H.R. 3886 Before the*

Subcomm. on Courts, Intellectual Prop. & the Admin. of Justice of the House Comm. on the Judiciary, 101st Cong., 2d Sess. 15 (1990) (statement of Jeffrey M. Samuels, Acting Commissioner of Patents and Trademarks, U.S. Dep't of Commerce).

Recognizing that, the bill's Senate sponsor predicted an "ominous future for patent holders of inventions that are beneficial to States" if sovereign immunity was not abrogated. 137 Cong. Rec. S4046 (daily ed. March 21, 1991) (statement of Sen. DeConcini). "As State universities and State regulatory agencies enter the race to commercialize scientific discoveries," he explained, "the cases in which the sovereign immunity defense is asserted will grow in number." *Ibid.*

Because of the decision below, precisely that "ominous future" has arrived. State institutions now can vigorously pursue infringement claims in federal court while simultaneously invoking immunity from suit when they infringe the patent rights of others. They can refuse to negotiate an equitable licensing agreement with a patent or copyright owner even when they concededly make unauthorized use of intellectual property. And, perhaps most devastatingly for the patent system as a whole, States can claim a property right in patent, threaten infringement actions to enforce it, and thereby deter others from doing anything that could even conceivably be deemed infringing, while also precluding private entities from bringing declaratory judgment actions to challenge the validity of that patent or to establish that their proposed conduct does not infringe.

III. The Doctrine of Waiver Through Litigation Conduct Properly Remedies Those Inequities and Partially Restores the Balance Congress Intended

The imbalance that results from the decision below is hardly necessary or inevitable. Sovereign immunity is an important right of the States, but it is not absolute: This Court has "long recognized that a State's sovereign immunity is 'a personal privilege which it may waive at pleasure.'" *College Savings Bank*, 527 U.S. at 675 (quoting *Clark* v. *Barnard*, 108 U.S. 436, 447 (1883)). For example, when a State "voluntarily invok[es] the jurisdiction of the federal courts" in a particular lawsuit, it "waives its sovereign immunity" with respect to that lawsuit. See *College Savings Bank*, 527 U.S. at 681 n.3. As the petition explains, a necessary corollary is that a State's repeated, voluntary invocation of the jurisdiction of the federal courts to adjudicate its intellectual property rights under federal patent or copyright laws constitutes a general waiver of its sovereign immunity to private suits under those laws. Pet. 21-26. Such a rule both respects the rights of the States under the Eleventh Amendment and ameliorates some of the harsher inequities resulting from sovereign immunity, restoring (to a large extent) the balance that Congress sought to achieve under the patent laws.

The Federal Circuit, however, failed to engage the general-waiver issue in any meaningful way. In its view, the "argument merit[ed] little discussion" because it was controlled by this Court's decision in *College Savings Bank*. Pet. App. 27a. In that case, the petitioner argued that the State of Florida had "constructively waived its immunity from suit" under the Lanham Act "by engaging in the voluntary and nonessential activity of selling and advertising a for-profit educational investment vehicle in interstate commerce." *College Savings Bank*, 527 U.S. at

680. The Court rejected that argument, holding that "there is little reason to assume actual consent" to waive sovereign immunity "based upon the State's *mere presence* in a field subject to Congressional regulation." *Ibid.* (emphasis added).

The question here, however, is not whether the State of California "constructively waived" its sovereign immunity by its "mere presence" in the field, *i.e.*, by obtaining patents under federal law and seeking to obtain commercial benefits from them. Here, the State has gone far beyond being a "mere presence" by repeatedly invoking *the jurisdiction of the federal courts* to adjudicate its rights under the patent laws. As this Court has noted, *College Savings Bank* itself distinguished between "constructive waivers" and "waivers effected by litigation conduct." *Lapides*, 535 U.S. at 620. Indeed, *College Savings Bank* specifically noted that it was *not* "a case in which the State has affirmatively invoked our jurisdiction." 527 U.S. at 676. Thus, contrary to the Federal Circuit's conclusion, *College Savings Bank*'s constructive-waiver ruling has no bearing here.

Rather, the question here is governed by *Lapides*, in which this Court specifically addressed a State's waiver of sovereign immunity through its litigation conduct. The precise result in *Lapides*—that a State waives its sovereign immunity when it removes a lawsuit to federal court, 535 U.S. at 616—is not controlling. But the principle and reasoning of *Lapides* are. They confirm that when a State *voluntarily* invokes the jurisdiction of the federal courts, it thereby expresses its consent to submit its rights for determination in that forum. See *Id.* at 619 (discussing *Gardner* v. *New Jersey*, 329 U.S. 565, 574 (1947); *Gunter* v. *Atlantic Coast Line R.R. Co.*, 200 U.S. 273, 283 (1906); and *Clark*, 108 U.S. at 447). As the Court explained:

> [T]his makes sense because an interpretation of the Eleventh Amendment that finds waiver in the litigation context rests upon the Amendment's presumed recognition of the judicial need to avoid inconsistency, anomaly, and unfairness, and not upon a State's actual preference or desire, which might, after all, favor selective use of "immunity" to achieve litigation advantages.

Id. at 620. The Court further noted that while a State's waiver of sovereign immunity must be "clear," in this context, "[t]he relevant 'clarity' * * * must focus on the litigation act the State takes that creates the waiver." *Ibid.*

Because the Federal Circuit erroneously concluded that *College Savings Bank* was dispositive, it failed to address the unresolved question of whether the State's pattern of "litigation acts"—*i.e.*, repeatedly placing questions concerning its rights under the patent laws before the federal courts for decision—amounted to a waiver of sovereign immunity from patent suits.[5] And because the Federal Circuit is the exclusive forum for appeals involving patents, see 28 U.S.C. §§ 1295(a)(1), 1338, this important question will not be revisited unless this Court does so.

Even apart from the Federal Circuit's failure to engage this issue meaningfully, its decision is simply wrong. As *Lapides* explained, the rule of waiver by litigation conduct "rest[s] upon the problems of inconsistency and unfairness that a contrary rule of law would create." 535 U.S. at 622. There can be no dispute that it is both flatly inconsistent and grossly unfair for the States to acknow-

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[5] The Federal Circuit considered *Lapides* only with respect to the narrower question of whether the State's intervention in the first action waived sovereign immunity in the later action brought by BPMC. See Pet. App. 10a-13a.

ledge that the federal courts have authority to adjudicate their property rights vis-à-vis third parties under the patent laws when it suits their interests, but to deny the federal courts' authority over that subject when it does not. See *id.* at 619 ("It would seem anomalous or inconsistent for a State" to "contend that[] the 'Judicial power of the United States' extends to" a matter and simultaneously deny the propriety of federal jurisdiction over a matter on the grounds of sovereign immunity.). The Eleventh Amendment was not adopted to facilitate the States' "selective use of 'immunity' to achieve litigation advantages," *id.* at 620, and surely "neither those who wrote the Eleventh Amendment nor the States themselves (insofar as they authorize litigation in federal courts) would intend to create that unfairness," *id.* at 622.[6]

Each State must make a decision: Either it believes that the federal courts should adjudicate its rights vis-à-vis third parties under the patent laws, or it does not. If a State chooses not to place its patent rights before the federal courts for decision, it retains its sovereign immunity and cannot be haled into court for infringing the patent rights of others. And, under *College Savings Bank*, the State also remains free to obtain patents, and to enjoy the economic benefits of them by negotiating licensing agreements, without waiving immunity.[7] But if a State repeatedly invokes the jurisdiction of the federal

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[6] Similar concerns have prompted the United States to waive its own sovereign immunity with respect to claims of patent and copyright infringement. 28 U.S.C. § 1498(a), (b).

[7] One might argue that the right to obtain a patent is not much of a right without the corresponding ability to enforce that patent in court. But that, of course, is precisely the situation in which private entities find themselves when attempting to negotiate licensing agreements for their patents with States vested with sovereign immunity.

courts to adjudicate its patent rights, it thereby makes the requisite "clear statement" that it believes the federal courts are an appropriate forum for resolving *all* patent disputes in which it is involved, even those brought *against* the State. The rule of litigation-conduct waiver thus partially restores the incentives that the patent laws are supposed to create and the balance that Congress intended when it enacted them.

At the same time, it presents none of the problems of "forced waiver" or "abrogation" that troubled this Court in *College Savings Bank*, see 527 U.S. at 683-684. States can make a choice between waiving their immunity and not doing so. But what they cannot do is what the State has attempted here: Pursue an aggressive strategy of enforcing its intellectual property rights against private parties in federal court while simultaneously denying federal-court authority to enforce the intellectual property rights of private parties against it.

CONCLUSION

For the foregoing reasons and those stated in the petition for a writ of certiorari, the petition should be granted.

Respectfully submitted.

ROBIN S. CONRAD
AMAR D. SARWAL
NATIONAL CHAMBER
LITIGATION CENTER, INC.
1615 H Street, N.W.
Washington, D.C. 20062
(202) 463-5337

JEFFREY A. LAMKEN
Counsel of Record
MICHAEL G. PATTILLO, JR.
RACHEL M. MCKENZIE
BAKER BOTTS L.L.P.
1299 Pennsylvania Ave., NW
Washington, D.C. 20004-2400
(202) 639-7700

Counsel for Amici Curiae

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